

Appendix E

State of Connecticut
Department of Economic and Community Development

Independent Accountant's Report on Applying Agreed-Upon Procedures for DECD Grant/Loan Projects

Date

Michael J. Lettieri, Community Development Director
Compliance, Audit and Financial Review Section
State of Connecticut Department of Economic and Community Development
505 Hudson Street
Hartford, CT 06106

Dear Mr. Lettieri:

We have been requested by {name of entity} (the "Company") to apply the agreed-upon procedures outlined in **DECD Appendix E** and enumerated in the attached draft copy of the Report on Applying Agreed-Upon Procedures. The sufficiency of the requested procedures is solely the responsibility of the specified parties of the report. Consequently, we make no representations regarding the sufficiency of the procedures for the purpose for which this report has been requested or for any other purpose.

Because the agreed-upon procedures listed in the attached draft copy of the Report on Applying Agreed-Upon Procedures do not constitute an audit, we will not express an opinion on the specified elements, accounts, or items. In addition, we have no obligation to perform any procedures beyond those listed in the attached draft copy of the Report on Applying Agreed-Upon Procedures.

This draft is furnished solely for the purpose of indicating the form of report that we would expect to issue, the matters expected to be covered in the report, and the nature of the procedures we would expect to perform. Based on our discussions with the Company, it is our understanding that the procedures listed in this draft report are those that the State of Connecticut Department of Economic and Community Development ("DECD") expects us to perform. Unless the DECD informs us otherwise, we shall assume that there are no additional procedures it wishes us to perform. The text of the report itself will depend, of course, on the results of the procedures, which we would not expect to complete until shortly before our report is issued.

As a specified party to the report, please review the proposed procedures and acknowledge the sufficiency of the procedures by signing the enclosed copy of this letter and returning it to us. If the procedures are not considered to be sufficient, or are not in accordance with your understanding, please provide comments in the space provided below.

Very truly yours,

Managing Partner
Name of CPA Firm

RESPONSE:

The procedures listed in the proposed draft copy of the Report on Applying Agreed-Upon Procedures for DECD Grant/Loan Projects are _____ are not _____ sufficient for purposes of the engagement.

COMMENTS: _____

Accepted by _____ Date _____
Michael J. Lettieri
Compliance, Audit and Financial Review Section - DECD

**The State of Connecticut
Department of Economic and Community Development**

**Agreed Upon Procedures for
DECD Grant/Loan Projects**

1. Obtain from the grantee a comparative budget to actual *Statement of Total Program Cost* and {name of entity}'s Representation Letter about its compliance with the Assistance Agreement, business proposal and its *Statement of Total Program Cost*.
2. Using the comparative budget to actual *Statement of Total Program Cost*, determine that the appropriate matching funds have been contributed by the grantee and that the State Share of expenditures did not exceed the amount and/or percentage of the total cost as defined in the Assistance Agreement. Include in the Agreed Upon Report, the comparative budget to actual *Statement of Total Program Cost* as Exhibit A.

Report all Findings and Questioned Cost:

3. Review the grantee's Assistance Agreement and approved Project Financing Plan and Budget and test at least 50% of the State dollars encompassing a broad selection of budgetary line items and at least 50% of the minimum matching share dollars as defined by the Assistance Agreement. At least 20% of the total number of expenditure transactions should be examined. Examine related records (e.g., invoices, canceled checks, contracts) to ensure that costs asserted were allowed in accordance with the Assistance Agreement and the Project Financing Plan and Budget.

Report all Findings and Questioned Cost:

4. Ascertain that all expenditures tested were made only for obligations permitted by the budget, incurred after the effective start date of the budget but before the termination of the budget end date. If expenditures were incurred after the budget period, present a list of expenditures paid after the budget period end date by vendor, date paid, and budget account classification charged.

Report all Findings and Questioned Cost:

5. Physically inspect facilities and other matters as evidence that the items and services that were agreed to were performed.

Report all Findings and Questioned Cost:

SAMPLE REPORT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of {name of entity}
and the State of Connecticut Department of
Economic and Community Development

We have performed the procedures enumerated below, which were agreed to by {name of entity} and the State of Connecticut Department of Economic and Community Development (the specified users), solely to assist the users in evaluating management's assertion about {name of entity}'s compliance with the Manufacturing Assistance Act Assistance Agreement dated {date} and the Project Financing Plan and Budget for the period {contract period}. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

{Enumerate the following procedures and include findings.}

1. Obtain from the grantee a comparative budget to actual *Statement of Total Program Cost* and {name of entity}'s Representation Letter about its compliance with the Assistance Agreement, business proposal and its Statement of Total Program Cost.
2. Using the comparative budget to actual *Statement of Total Program Cost*, determine that the appropriate matching funds have been contributed by the grantee and that the State Share of expenditures did not exceed the amount and/or percentage of the total cost as defined in the Assistance Agreement. Include in the Agreed Upon Report, the comparative budget to actual *Statement of Total Program Cost* as Exhibit A.

{Report all Findings and Questioned Cost:}

3. Review the grantee's Assistance Agreement and approved Project Financing Plan and Budget and test at least 50% of the State dollars encompassing a broad selection of budgetary line items and at least 50% of the minimum matching share dollars as defined by the Assistance Agreement. At least 20% of the total number of expenditure transactions should be examined. Examine related records (e.g., invoices, canceled checks, contracts) to ensure that costs asserted were allowed in accordance with the Assistance Agreement and the Project Financing Plan and Budget.

{Report all Findings and Questioned Cost:}

4. Ascertain that all expenditures tested were made only for obligations permitted by the budget, incurred after the effective start date of the budget but before the termination of the budget end date. If expenditures were incurred after the budget period, present a list of expenditures paid after the budget period end date by vendor, date paid, and budget account classification charged.

{Report all Findings and Questioned Cost:}

5. Physically inspect facilities and other matters as evidence that the items and services that were agreed to were performed.

{Report all Findings and Questioned Cost:}

We were not engaged to, and did not; perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of {name of entity and DECD} and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Manual or Printed Signature of Accountant's Firm
{Date of Completion}

SAMPLE STATEMENT OF TOTAL PROGRAM COST

Exhibit A

Name of Entity _____
Project No. _____
Statement of Total Program Cost
For the Period _____ through _____

Budget Line Item	Non-DECD Budget	DECD Budget	Total Budget	Non-DECD Actual	DECD Actual	Total Actual
Land Cost	\$256,000	\$15,000	\$271,000	\$256,000	\$14,000	\$270,000
Appraisal Fees		10,000	10,000		9,000	9,000
Training	90,000		90,000	90,000		90,000
Relocation	10,000		10,000	8,500		8,500
Design Consultant-Arch.	45,000	150,000	195,000	44,000	140,000	184,000
General Construction	3,099,000	325,000	3,424,000	2,800,500	337,000	3,137,500
Total Program Cost	\$3,500,000	\$500,000	\$4,000,000	\$3,199,000	\$500,000	\$3,699,000

This budget to actual *Statement of Total Program Cost* should reflect the latest DECD approved budget amounts and actual amounts expended on the program.

In the above sample, the total amount expended on the project was \$3,699,000. Per the Assistance Agreement, the State assistance was not to exceed the lesser of \$500,000 or 50% of the cost of the Project. The minimum amount of matching share (Non-DECD funding) required to be contributed by the Entity per the Assistance Agreement was an amount equal to the state share or \$500,000. The minimum amount of expenditure dollars tested would be \$250,000 of state and \$250,000 of non-state expenditures. At least 20% of the total number of expenditure transactions should be examined.

SAMPLE MANAGEMENT REPRESENTATION LETTER
WHEN CONDUCTING AN AGREED-UPON PROCEDURES AUDIT

Date

CPA Firm Name

CPA Firm Address

In connection with your agreed-upon procedures engagement of the {name of entity} Business Development Project for the purpose of assisting DECD in evaluating management's assertion about {name of entity}'s compliance with the Assistance Agreement dated {date} we confirm, to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We are responsible for the fair presentation in the *Statement of Total Program Cost*, Exhibit A, for the project period from _____ to _____ in conformity with the requirements of the State of Connecticut Department of Economic and Community Development. We understand that, as is customary, your agreed-upon procedures engagement was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included such tests of the accounting records, and such other auditing procedures as you considered necessary in the circumstances to report on the results of applying agreed-upon procedures. We further understand that such an agreed-upon procedures engagement would not necessarily disclose all irregularities should there be any.
2. Management is responsible for compliance with laws and regulations and terms and conditions outlined in the Assistance Agreement and Business Proposal. We have complied with reporting requirements in connection with the State of Connecticut Department of Economic and Community Development.
3. In regard to the DECD project, there have been no:
 - a) Actions taken by management which contravene the provisions of the State of Connecticut and Local laws or regulations or of contracts and grants applicable to the project.
 - b) Irregularities involving management or involving employees who have significant roles in the internal control structure.
 - c) Communication from the State of Connecticut concerning noncompliance with, or deficiencies in, financial reporting practices or the other matters that could have a material effect on the *Statement of Total Program Cost*.
4. We have made available to you all financial records and related data.
5. In relation to the project, there are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Standards, *Accounting for Contingencies*.
6. There are no irregularities involving employees (other than management or those who have significant roles in the internal control structure) that could have an effect on the Statement of Total Program Cost.
7. There are no:

- a) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statement or as a basis for recording a loss contingency.
 - b) Other liabilities or loss contingencies that are required to be accrued or disclosed.
8. No department or agency of the State of Connecticut has reported a material instance of noncompliance to us in relation to the project.
9. There are no transactions that have not been properly recorded in the accounting records underlying the *Statement of Total Program Cost*.
10. The entity has complied with all aspects of contractual agreements that would have an effect on the *Statement of Total Program Cost* of the project.

Signature and Title of Company Official